**Blue Haven Divestment Assessment**

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**Background**

Kiama Council has a rich tradition of operating aged care facilities. Up until the 1970’s residents in need of aged care (or nursing home) facilities had to relocate to other local council areas. With the overwhelming support of residents, community groups, churches, local fundraisers and federal government assistance, Kiama Council commissioned Blue Haven aged care in 1979 with a 40 bed facility, accepting many of the first residents from nearby Kiama Hospital. Since these humble beginnings, Blue Haven has expanded over numerous development phases to encompass over 250 independent living units in the Terralong and Bonaira facilities, over 130 beds in the aged care facility at Bonaira, as well as operating home care services covering residents from Shoalhaven, Kiama, Shellharbour and Wollongong. Emphasis on the provision of high quality aged care has been one of the defining features of Kiama Council and the Kiama local government area for a number of decades.

Kiama’s focus on aged care is not surprising given their demographic profile. According to the latest ABS Census statistics, over a quarter of Kiama’s population (approx 27.5%) are aged at least 65 years, compared to 17% of Australia’s population. Furthermore, the percentage of population aged at least 65 years is increasing at a more rapid rate in Kiama compared to Australia as a whole, as evidenced by the widening gap over time evident in Figure 1.

**Figure 1. Percentage of Population Aged 65 and Over (Kiama LGA and Australia)**

Source: Australian Bureau of Statistics, Census of Population and Housing

Furthermore, Blue Haven is currently a significant employer in the Kiama labour market, accounting for approximately 250 workers or 4% of the entire Kiama labour market.

This report was requested by the United Services Union in response to Kiama Council’s plans to divest Blue Haven assets. The analysis seeks to document the impact of this decision on the key stakeholder groups of Blue Haven residents, Blue Haven employees, and Kiama rate payers and community.

**Blue Haven Residents**

Discussions with Blue Haven residents established that many bought into Blue Haven because of the safety and reputation of Kiama Council ownership and control. Many residents sold their home in order to relocate to Blue Haven. The majority of their life savings are tied to Blue Haven and most are not in a financial or practical position to move elsewhere if circumstances change under new ownership. Under current contractual arrangements, after residing in Blue Haven for 5 years residents will receive back only 70% of the original price paid (not market price) if they choose to sell. Furthermore, residents may have to wait between 2 weeks to 6 months after vacating their premises to receive these funds (Blue Haven 2021).  For many, these conditions will effectively trap them in Blue Haven as they will not be able to access funds to purchase elsewhere. In addition, uncertainty regarding the new ownership of Blue Haven has affected both residents’ mental health and financial security.

Based upon findings from the Royal Commission into Aged Care Quality and Safety, divestment of Blue Have will likely result in poor quality aged care outcomes for Blue Haven residents. Royal Commission recommendations were unequivocal in stating that government-run aged care facilities provided better outcomes for residents compared to for-profit and not-for-profit facilities.

1. University of Queensland research cited in the Royal Commission established that government-run facilities provided great quality of care for residents. Government-owned facilities were more likely to receive the highest quality rating of Q1, with for-profit providers overrepresented in the lowest quality ranking (Q3) (Royal Commission Final Report Volume 2, p 166).

**Table 1. Number and Proportion of Residential Services Across Different Quality levels by Service Provider Type**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Service provider type, n (%)** | **Q1** | **Q2** | **Q3** | **Total** |
| Not-for-profit | 207 (13%) | 1,273 (78%) | 162 (10%) | 1,642 (100%) |
| For-profit | 35 (4%) | 793 (82%) | 132 (14%) | 960 (100%) |
| Government | 60 (24%) | 166 (68%) | 19 (8%) | 245 (100%) |
| **Total** | **302 (11%)** | **2,232 (78%)** | **313 (11%)** | **2,847 (100%)** |

Source: University of Queensland, *The cost of residential aged care*, 2020, as cited in Royal Commission Final Report Volume 2, p 166.

1. Research cited from the National Ageing Research Institute showed that life satisfaction was highest in government-run services (with an average of 8.5 out of 10), followed by not-for-profit (7.9) and then for-profit (7.0) (Royal Commission Final Report Volume 2, p 167).
2. Accreditation data from 2018-19 showed a higher proportion of for-profit residential aged care services (18%) not complying with the applicable accreditation standards, followed by not-for-profit services (16%), with the fewest from government-run facilities (13%) (Royal Commission Final Report Volume 2, p 167).
3. Government-run residential care services were also less likely to have a finding of serious risk made against them (Royal Commission Final Report Volume 2, p 167).
4. In addition, of the 53 Australian Department of Health sanctions issued in 2018-19, only one was for a government-run provider, with 28 going to for-profit residential care providers and 24 to not-for-profit providers (Royal Commission Final Report Volume 2, p 167).
5. Government-operated residential aged care services were on average less likely to have residents affected by pressure injuries and less likely to have residents experiencing significant unplanned weight loss (Royal Commission Final Report Volume 2, p 167).

In addition to the Royal Commission findings, a large body of Australian research evidence supports the contention that government-run aged care facilities provide higher quality outcomes for residents compared to for-profit facilities (Baldwin et al. 2015a, Baldwin et al. 2015b, Ellis and Howe 2010, Jenkins and Braithwaite 1993, King and Martin 2009). The finding that for-profit aged care facilities provide lower quality care is also consistent with international research (Comondore et al. 2009, Grabowski et al. 2013, Ronald et al. 2016, Bos et al. 2017, Harrington et al. 2017).

More recently Yong et al. (2021) analysed 11 quality of care outcomes in approximately 3,000 residential aged care facilities in Australia. Government-run facilities recorded better outcomes than for-profit and not-for-profit facilities in 9 of the 11 quality of care measures (emergency department presentations, falls, dementia hospitalisation, pressure injuries, adverse medical events, complaints, assaults, hours of care, registered nurse hours). In addition, government-run facilities charged residents lower prices on average ($207.60 per resident-day), compared to not-for profit facilities ($227.10), and for-profit facilities ($252.60).

**Table 2. Quality and price by ownership type, 2014/15 – 2018/19**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  |  |  |  |  |
|  | All facilities Not for profit | For profit | Government owned | Not for profit |
| ED Admission | 0.202 | 0.201 | 0.133 | 0.211 |
| Falls | 0.096 | 0.094 | 0.063 | 0.103 |
| Dementia Hospitalisation | 0.035 | 0.038 | 0.02 | 0.035 |
| Pressure Injuries | 0.033 | 0.037 | 0.018 | 0.033 |
| Adverse Medication | 0.016 | 0.015 | 0.011 | 0.016 |
| Complaints | 1.401 | 2.248 | 0.3 | 1.231 |
| Assaults | 1.268 | 1.738 | 0.395 | 1.244 |
| Total Hours of Care | 3.019 | 2.961 | 3.777 | 2.967 |
| Registered Nurse Hours | 0.436 | 0.462 | 0.772 | 0.366 |
| Provider Price ($) | 233.4 | 252.6 | 207.6 | 227.1 |

Source: Reproduced from Yong et al. (2021)

Therefore, divesting Blue Haven from being a government-run facility to for-profit or not-for-profit is likely to result in a wide range of poor outcomes for residents.

**Blue Haven Employees**

Approximately 250 Blue Haven employees’ wages and conditions are covered by either the Local Government (State) Award, Local Government Aged and Disability Home Care Award, or Nurses (Local Government) State Award. Divestment from Kiama Council to a new operator, and thus employer, would mean that employees would now fall under the federal Modern Award system, including the Social, Community, Home Care and Disability Services Industry Award 2010, the Aged Care Award 2010, or Nurses Award 2020.

Approximately 50 Blue Haven employees undertake homecare services and are paid under the Local Government (State) Award between $965.30 (Operational Band 1 Level 3) to $1068.20 (Operational Band 1 Level 4) (Industrial Relations Commission of New South Wales 2021a). In the event Blue Haven is divested these workers would now fall under the Social, Community, Home Care and Disability Services Industry Award 2010, where it is common for homecare employees to be earning $871.60 per week (Fair Work Ombudsman 2023a).

Aged Care Facility workers (approximately 170 employees) are covered by the Local Government Aged and Disability Home Care Award where care service employees receive between $875.66 (Care Service Employee Grade 1) to $1,774.72 (Care Service Employee Grade 1 Grade 5) (Industrial Relations Commission of New South Wales 2021b). Following divestment these workers would be paid under the Aged Care Award 2010 between $861.40 (Aged Care Employee Level 1) to $1043.60 (Aged Care Employee Level 7) (Fair Work Ombudsman 2023b).

Facility Administrative staff (approximately 10 employees) are currently covered by the Local Government (State) Award and paid $1056.40 per week (Administrative Band 2 Level 1) (Industrial Relations Commission of New South Wales 2021a). Divestment would imply coverage from the Aged Care Award 2010 where they would receive between $929.90 for a general clerk with at least 1 year’s experience to $940.90 for a senior clerk (Fair Work Ombudsman 2023b).

Community Workers (approximately 20) include clerical staff that manage the home care employees with matters such as rostering as well as managing the services support funding allocations for clients, and community transport services. They are paid between $1211.50 (Administrative Band 2 Level 2) and $1449.90 (Administrative Band 2 Level 3) under the Local Government (State) Award (Industrial Relations Commission of New South Wales 2021a). Under the Social, Community, Home Care and Disability Services Industry Award 2010 they would be paid $940.90 to $1026.60 (Social and community services employee level 2) (Fair Work Ombudsman 2023b).

The reclassification of employees undertaking indistinguishable duties to alternative and lower pay rates first raises ethical and equity issues. Some workers will be performing identical duties and be remunerated at a lower rate. Second, at a time when consumer inflation is running at 7.8% (ABS 2023) a decrease in nominal wages would exert additional hardship on households’ budgets. Third, the latest job vacancy data for Illawarra and the South Coast shows there are currently 327 job vacancies for Health and Welfare Support Workers, and Carers and Aides (National Skills Commission 2023). This represents over 10% of the total job vacancies in the region, compared to less than 6% at the national level. Therefore, the shortage of aged care workers is particularly acute in the Illawarra. Fundamental labour economics would suggest that decreasing wages would intensify labour shortages at Blue Haven.

**Kiama Rate Payers and Community**

Sale of Blue Haven represents the sale of a community asset with a long tradition of community support and goodwill. Even the name Blue Haven was bestowed by local residents in response to a competition in 1975. Potential loss of Blue Haven from Kiama council hands was also one of the factors in the fierce opposition to amalgamation with Shoalhaven Council in 2015. Current supporters such as the Friends of Blue Haven group have raised money for beds, a bus, craft items and entertainment for residents over many years. Similarly, volunteers provide much of the vital assistance to the operations of Blue Haven. It is likely that much of this public support and goodwill would cease in the event of Blue Haven being divested to a private enterprise.

The financial losses associated with aged care facilities at Bonaira are currently typical for the sector. Blue Haven has overcome past issues with finance, land, changes in government and funding policies: “unswerving throughout has been the support of the Kiama community, service clubs, churches, Kiama Council and its officers and many individuals who have remained loyal to the concept and purpose, whatever major or minor setbacks there were” (Hartgerink 2019, p36).

The most recent data from September 2022 shows that 70% of aged care homes in Australia are currently operating at a loss, up from 56% from the previous year (Stewart Brown 2023). On average, aged care facilities are running at a loss of $7,092 per bed per annum. Authors of this report argue that residential aged in Australia is at a critical financial sustainability position, however, also note that there is expected to be a lag between when aged care reforms were implemented and when that will positively impact financial performance. Federal Aged Care Minister Anika Wells has stated that residential aged-care funding will increase by 12 per cent in 2022-23 to $16.4bn, with federal spending expected to increase from $30billion in the current financial year $52.5billion in 2032-33 (Lunn 2023).

A profit motive has not been at the forefront of Blue Haven’s business model “We didn’t have a profit motive as such – rather a social objective in providing quality retirement living options in the heart of Kiama” Michael Forsyth Former Kiama Council General Manager (Hartgerink 2019 p50). However, the Kiama Council and community has benefitted from Blue Haven profits in the past. For example, Blue Haven profits of $3 mil contributed to the building of The Pavilion on Kiama Showground in 2009.

Blue Haven *had* a good reputation with the public, regulators and health sector. However, numerous media stories quoting Kiama councillors and CEO have painted a bleak picture of Blue Haven’s operations in the past 12 months, soiling this reputation.

Illawarra Mercury Sept 22 2022 *Blue Haven aged car loses half a million dollars in a month*

"The accounting figures don't lie," Kiama Mayor Neil Reilly said. "We've known for a time that this is the circumstance. It's a great concern considering we're under financial stress and we've often considered where it might come from - and I think that Blue Haven is the answer."

Illawarra Mercury 13 October 2022 *Blue Haven sale to be voted on by Kiama* councillors

In a response to the motion, Kiama Council's chief executive officer Jane Stroud conceded that Blue Haven residents were concerned, but something needed to be done. "Council is running two businesses, aged care and local government services, and simply does not have sufficient working capital or operational funds. Significant divestment of assets, business efficiencies and improved revenue must be realised.”

Illawarra Mercury 14 October 2022 *Early interest in Blue Haven after Kiama council's sale decision*

"Everyone else in the community is missing out because all we ever do is talk about Blue Haven," Cr Matt Brown said "I've added it up and we've had 30-plus reports [on Blue Haven] given to us. Thirty-plus reports and some councillors still don't think they can make a decision on our finances."

Illawarra Mercury 28 February 2023 *Blue Haven sell-off stopped in feisty Kiama council meeting*

Cr Reilly responded by suggesting some councillors had "pressure" put on them via party politics and noting that retaining Terralong would be financially disastrous for council - and would see reduced community services. "You think that is not possible," Cr Reilly said. "You wait - if this amendment goes through it won't be very long before an administrator is appointed."

Finally, if divested, is it likely that Kiama Council will receive a fair price for Blue Haven? Two factors are against this. First, the real estate market is now in a downturn. From that perspective it is not a good time to sell. Second, it is probable that councillors’ public comments have hindered the process. To use an analogy, what CEO or chairperson of a business board that has grown successfully over 40+ years would publicly discredit their business model, admit that they were out of their depth in their industry, emphasise that their motive is to bail the company out of a financial hole, and expect to receive a decent price from the sale of their business to competitors? Logic as well as research referred to above would suggest that a for-profit or not-for- profit purchaser buying a loss making asset will either implement widespread cost cuts and thereby reduce the quality of care for current residents and / or increase prices, potentially pricing locals out of the facility on the future if they rebrand it to a platinum seaside, and / or repurpose the land to other profit making activities.

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